LARGE PUBLIC POWER COUNCIL
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October 21, 2014

Office of Energy Policy and Systems Analysis
EPSA-60, QER Meeting Comments
U.S. Department of Energy
1000 Independence Avenue SW
Washington, DC 20585-0121

RE: Quadrennial Energy Review
Comprehensive comment of the Large Public Power Association

Dear Secretary Moniz:

These comments are submitted on behalf of the Large Public Power Council (LPPC) in response to the Department of Energy's (DOE) Quadrennial Energy Review (QER).

LPPC represents 26 of the largest locally-owned, not-for-profit electric systems in the United States. Our member utilities are located in 12 states and Puerto Rico, and own and operate more than 86,000 megawatts of generation capacity and more than 35,000 circuit miles of high voltage transmission lines.

LPPC member utilities supply reliable low-cost electricity to most of the 45 million people served by public power. These include some of the largest cities in the country including Los Angeles, Seattle, Omaha, Phoenix, Sacramento, Jacksonville, San Antonio, Orlando, and Austin.

LPPC members have followed and participated in the QER process. We have appreciated the opportunity to offer input into DOE's process. As public power entities, we offer a unique perspective on the energy challenges that face our nation. We have no stockholders and are directly responsible to our customers who depend upon us to provide low cost, reliable power in a sustainable manner. Below is a summary of the issues we think are critical to meeting these obligations to our customers.

1. LPPC Energy Policy Priorities

A. **Retention of Tax Exempt Municipal Finance**: Tax exempt financing is an essential tool for municipal and state-owned utilities for public benefit investments revitalizing aging infrastructure, and developing renewable generation. This is especially important as we seek to comply with the Environmental Protection Agency's carbon rule under section 111(d) of the Clean Air Act. The rule will require significant investment in new generation and transmission to meet our compliance obligations. The loss of such financing will either set these projects back, or result in increased cots that will have a greater impact on our customers.

B. Beneficiary Pays Transmission Pricing Policy: LPPC strongly supports regional transmission planning. Our members engaged in such regional planning prior to the Federal Energy Regulatory Commission's (FERC) decision to require such a process. We also firmly believe that the best way to get needed transmission built is to ensure that transmission investment is market-driven, with costs assessed to those using the needed facilities. Utilities should participate in regional planning and coordination, but should not be called upon to subsidize facilities they do not need.

C. Energy Markets: LPPC members support market structures, bi-lateral or organized provided they are accountable to end use consumers, economically and environmentally, over other market participants. LPPC members' decisions to participate in organized markets are based upon regional differences and preferences. Since the mid-1990s our nation's energy policy has largely been driven by efforts to expand energy markets at both the wholesale and retail levels. The organized markets in the Northeast and California and bilateral markets in the Rocky Mountain West and Southeast have all been influenced by this trend. Energy markets at any level continue to be the subject of much debate. LPPC members believe that expansion or reform of energy markets should be driven by the impacts to end use customers.

Where organized wholesale markets exist, they should be designed and operated to benefit customers by enhancing reliability, lowering costs, and recognizing regional differences. Where such markets do not exist, any potential development should be implemented carefully to ensure that they provide benefits to customers and preserve the independence of public power entities. No cost-shifting or operational preferences should occur between participants or transactions within or outside of organized markets. More specifically, when examining the current energy markets we think the following principles should guide that discussion:

1. The relatively short term focus of energy markets preempts long-term investments in generating capacity. This, in turn, has an adverse impact on longer term investment for inputs such as natural gas supply and transportation.

2. FERC and state regulatory policies affecting existing organized markets should permit utility self-supply of cost-based generation resources and remove impediments to the use of long-term, bilateral wholesale contracts.

3. FERC and state regulatory policies affecting existing organized markets should not encourage overdependence on spot markets.

4. FERC should establish appropriate exemptions to buyer-side capacity mitigation, including self-supply, competitive entry, and public policy exemptions.

5. Energy imbalance markets (EIM) should be cost-justified, facilitate the integration of renewable generation, include an equitable allocation of costs, support resource sufficiency and not disrupt existing bilateral contracts or inefficiently raise wholesale power market prices. Participation in sub-hourly energy markets, like an EIM, should not degrade the authority of public power governing boards to make future decisions regarding participation in wholesale energy markets.

6. FERC should seek to carefully repair the flaws in existing forward capacity markets to promote the opportunity for public power market participants to self-supply cost-based generation and promote resource efficiency.

7. Public Power utilities that currently operate in a vertically integrated utility structure should be allowed to continue operating in such a structure and maintain existing local control and governance structures.

7. FERC should ensure that public power utilities retain the authority to make individual decisions regarding the merit of participation in organized markets.

2. LPPC Reaction to Other QER Issues

The QER touched upon a number of significant issues affecting our nation's energy future. We would bring the following issues to the attention of DOE as it moves forward with its process.

A. Distributed Generation and the Value of the Grid: The role of Distributed Energy Resources like rooftop solar, storage, energy efficiency and demand side management being discussed and developed in a variety of jurisdictions across the nation. The LPPC expects that new distributed energy resources will play an expanded role in meeting our customers' future energy needs. The success of distributed energy resources depends upon a flexible and robust grid. The fixed cost of the grid is undervalued in many jurisdictions, and net metering policies which often compensate rooftop solar generators at the utility's retail rate fail to compensate utilities for the fixed cost of back-up and other services provided by the grid. DER policies should be based on sound economic principles that offer consumers choice while recognizing the value of the grid as an enabling platform.

B. Permitting/Siting of Energy Facilities: A long heard complaint and topic at the Cheyenne QER meeting is the challenge of permitting energy facilities on federal lands. The construction of new electric transmission lines and other energy infrastructure is critical to meeting the nation's energy needs. Past efforts to streamline the permitting process have failed. DOE should undertake a thorough review of the process in consultation with a wide spectrum of industry representatives to develop solutions. Agencies should be held more accountable and the process should include hard deadlines to provide project developers with some level of certainty that their permits will be dealt with in a timely manner.

C. Resiliency and Weather-Related Threats: LPPC recognizes the critical value of reliability and resiliency of the electrical system ad it's impact on communities and economies. Increasing number of weather related threats in recent years calls for heightened diligence and investment in vulnerable regions. LPPC actively participates in both mandatory forums such as North American Electric Reliability Corporation (NERC) and voluntary forums such as the North American Generator and Transmission Forums. We also participate in mutual aid activities such as the Spare Connect and Spare Transformer Equipment Program transformer sharing programs as well as numerous local and regional public safety and mutual aid organizations. It is not clear that additional regulation or oversight is needed at this time, but public/private forums such as the Electric Sub-Sector Coordinating Council should be continued.

D. Cybersecurity: LPPC believes that NERC's CIP regulations establish adequate baseline protection against cyber vulnerabilities that are present and evolving over time. LPPC also supports limited additional Federal authority related to information sharing in the face of imminent threats. LPPC embraces the National Institute of Standards and Technology Framework, worked on its development, and believes it is generally consistent with CIP requirements advancing best practices in cyber defense in depth.

E. Renewable Integration: There are demonstrable limitations on the amount of intermittent generation that may be accommodated on the grid, absent breakthrough storage technology. A balanced system will ensure the maintenance of reliability, affordability and environmental stewardship. LPPC support the energy polices that support broad policy outcomes such as competitiveness, emission reductions and/or energy independence, but do not support prescriptive resource mandates that, fail to accomplish broad policy outcomes in an optimal way. Displacing one resource for another without regard to integrated resource planning undermines a least cost, best fit approach.

Again, we appreciate the opportunity to provide these comments and participate in the QER process and would be happy to meet with you and your staff to more fully discuss these issues.

Sincerely,

John Di Stasio

John Di Stasio
President, LPPC